

# Technical Assistance Paper #6

## *Creating New Enterprises*

### Something From Nothing

Local economic growth can occur in a number of ways. For example, the location of a new business or industry in a community may result in an immediate infusion of jobs and income. Or growth by existing enterprising may create new jobs and retain the structure of the local economic base, which may also help to ensure the viability of a town.

But new enterprises that spring up where nothing had previously existed may also create new wealth and diversify in the local economy. This type of activity holds significant long-term impact because locally developed enterprises are likely to have strong ties to their community. The term that best describes this kind of activity is entrepreneurship.

### Unmasking Opportunities

New enterprises do not materialize from thin air. Every entrepreneur draws from a community's available resources. The appearance of newness may be attributed to the entrepreneur's discovery of an opportunity that no one else perceived. Opportunities arise where the marketplace has a need for a given product, coupled with the resources for delivering that product economically. Business incubators and home based or cottage industries are two of the vehicles used to foster entrepreneurship.

An example of how this can work occurred in Unionville, where a local woman with treasured family recipes and a determined marketing strategy, combined with financing from a local electric utility and a building from the local school district to create a new food processing business. Another example: A community might identify a market for complex manufacturing, and by developing the skills of its labor force through job training and technical programs it increases its available resources for performing such activities. Finding opportunities-connecting need with available resources is not always easy. But there are ways to make the search for opportunities logical. Economic developers generally employ five methods to encourage new enterprises.

**Import Substitution** - Few, if any, modern communities can be self-sufficient. Thousands and thousands of products and services must be imported for the community to function. In some cases, a particular product may not be available locally at all, and must be acquired elsewhere. Opportunities for new enterprises exist where something can be economically produced locally to take the place something that must now be imported. For example, a manufacturer may presently be buying a given component from an overseas supplier. If it could be produced locally for about the same price and at least the same quality, the opportunity exists for the manufacturer to switch to a new, local entrepreneur.

**Value Added** - Many raw goods and services that are produced locally are actually "finished" somewhere else. The most obvious example is in agriculture and livestock production, where a cow might be raised on a local farm, but shipped to another state for processing. The beef that reappears in the local supermarket is worth many times more than the cow trucked out weeks before. Opportunities arise from local entrepreneurs engaging in more of that finishing process before it leaves the community.

**Resource Enhancement** - Are there local resources that no one is utilizing at all? Recycling and waste minimization are two examples of enterprises that have grown from this kind of analysis. Alternative agricultural enterprises also fall into this niche. Special abilities of the local labor pool, older housing that could be restored for commercial purposes, even an interstate exit ramp all represent resources that could be utilized for local benefit.

**Financial Resources** - A critical factor in an economic development program's success in encouraging new enterprises is its ability to direct entrepreneurs towards potential financing packages. There are many types of financing available from local financial institutions, state and federal agencies, and utility companies, including rural electric cooperatives. The importance of local financial institutions to local economic development efforts cannot be understated-they represent perhaps the most important local resource of all.

**Management Resources** - Business consulting services-including the Missouri Business Assistance Center and the Innovation Centers of the Department of Economic Development, Missouri's Small Business Development Centers, and regional planning commissions-can also provide entrepreneur with informational support and analyses of their business plans that may be important in acquiring financing. In addition, these services may maintain extensive databases of other programs and services that are available to assist both individual entrepreneurs and entire communities. Consultants and universities can also provide valuable counseling relating to market identification, forecasting, and effective bookkeeping and accounting procedures for new enterprises. The Missouri Department of Economic Development's "First Stop Shop" can acquaint entrepreneurs with the permits and regulatory requirements for starting a business within the state.

## Growth of Wealth

Many economic developers today describe their profession in terms of "creating wealth" - new jobs are one way to measure that wealth. In some cases, an entrepreneur may tie into a newly emerging trend, perhaps one that has been triggered by technological innovation, that may result in a shift of jobs away from one area and into another. A community's ability to adapt in this way to a changing international marketplace is a cornerstone of its future survival.

For more information about the Missouri Department of Economic Development call 800/523-1434.